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28 April 1959

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# CENTRAL INTELLIGENCE BULLETIN



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### III. THE WEST

OK Britain-UAR: (London, impatient with Cairo's delay in restoring diplomatic relations, has made a financial maneuver which jeopardizes Nasir's efforts to secure an IBRD loan to improve the Suez Canal. Under the terms of a 1958 agreement, release of an Egyptian blocked sterling account would require the UAR to compensate stockholders of the old Suez Canal company. The British have unblocked this account earlier than scheduled, and say they will vote against the IBRD loan if the UAR is in default on its compensation agreement. This action will tend to confirm the impression held by many UAR officials that the British are continuing to work against Nasir.)

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OK Argentina: To counter continuing strikes and agitation against the US-backed stabilization program, President Frondizi has issued a decree banning all activity by the Communist party and associated groups, at least for the duration of the present state of siege. He believes the Communists and Peronistas are mainly behind this agitation. Several antigovernment demonstrations may be attempted on 1 May.

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DAILY BRIEF

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III. THE WEST

British Financial Maneuvers Against Egypt

(London, impatient with Cairo's delay in resuming diplomatic relations, has made a financial maneuver which seriously jeopardizes Egyptian efforts to secure an IBRD loan for expanding the Suez Canal. Under the terms of a 1958 agreement, London's release of Egyptian blocked sterling would require the UAR to compensate stockholders "forthwith" to the amount of \$22,960,000 as part of an accelerated repayment schedule. The Bank of England now has removed all restrictions on Egypt's blocked sterling account earlier than scheduled, thereby apparently bringing into effect this hitherto unimportant clause. If Cairo fails to make payment "forthwith," it probably will be in technical default and its credit standing will be seriously impaired. In such an event, the British state, they would be unable to vote for a World Bank loan to Egypt.)

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Cairo has not responded to the Bank of England, but apparently will not make payment and will not compromise its position that holds the bank's action illegal)

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Argentina Bans All Communist Activities

Argentine President Frondizi issued a decree on 27 April banning all activity by the Communist party and associated groups. He evidently hopes to curtail the Communists' capabilities and to undercut any Peronista moves to collaborate with the Communists, especially in forthcoming union and provincial elections.

Frondizi is convinced that the Communists and some extremist Peronistas are fomenting the present agitation against the US-backed economic stabilization program, such as the Communist-led bank strike and the riots of 3 April which led to the expulsion of five Soviet diplomats. New demonstrations by Communists and Peronistas and by the Communist-led student federation are reportedly planned for 1 May.

As Frondizi had warned, the government's austerity and stabilization measures since 1 January have caused hardship for labor. The cost of living has risen about 47 percent, and real wages are the lowest since Frondizi took office on 1 May 1958. On the other hand, the government has signed additional development contracts with private petroleum companies, and crude production during the first quarter of 1959 increased 33 percent. This, together with a favorable export movement and reduced imports, indicates to some officials that a "reasonable" trade balance for the year may be achieved, reversing the past decade of heavy trade deficits.

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